

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6141

BILL NUMBER: SB 67

DATE PREPARED: Feb 5, 1999

BILL AMENDED: Feb 2, 1999

SUBJECT: Surviving Spouse Benefits

FISCAL ANALYST: Jim Sperlik

PHONE NUMBER: 232-9866

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill increases the minimum survivor's benefit for surviving spouses of deceased members of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, and the 1953 Police Pension Fund. It provides that the minimum survivor's benefit is increased over four years from 30% of the salary of a first class officer to 50% of the salary of a first class officer.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The Unfunded Accrued Liability would increase by approximately \$400.6 million. Since these plans are funded on a pay-as-you-go basis, the following illustrates the estimated increase in benefit payouts over the next five years (benefit payouts would continue to increase past the five year period):

<u>Calendar Year</u>	<u>Increase in Expected Benefit Payouts</u>
2000	\$ 4,864,416
2001	\$ 9,951,738
2002	\$15,161,602
2003	\$21,102,919
2004	\$27,044,236

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Units with members in the affected funds.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for the Police and Fire Funds, 576-1508.

Unfunded Accrued Liability--The unfunded accrued liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.

Pay-As-You-Go Method--The Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.